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# ENHANCING CONNECTIVITY AND MARKET ACCESS THROUGH EXPRESS COURIER AND POSTAL SHIPMENTS

A BLUEPRINT FOR A DEMONSTRATION PILOT BETWEEN  
BANGLADESH AND INDIA



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**Contract No.** GS-23F-0127P, **Task Order No.** AID-OAA-M-12-00008

**Cover photo:** Transport along the Buriganga River at Dhaka, Bangladesh (Credit: © Stephen Wade)

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# ACRONYMS

AMEG	USAID-funded Asia and the Middle East Economic Growth Best Practices Project
ASYCUDA	Automated System for Customs Data
B2B	business-to-business
B2C	business-to-consumer
B2G	business-to-government
BAFFA	Bangladesh Freight Forwarders Association
BBIN	Bangladesh, Bhutan, India, and Nepal
BCG	Boston Consulting Group
BLPA	Bangladesh Land Port Authority
BSTI	Bangladesh Standards and Testing Institution
BTFA	USAID-funded Bangladesh Trade Facilitation Activity
BUILD	Business Initiative Leading Development
CFS	container freight station
CGE	computable general equilibrium
CII	Confederation of Indian Industry
CUTS	Consumer Unity and Trust Society
eCAB	e-Commerce Association of Bangladesh
e-commerce	electronic commerce
ECTS	Electronic Cargo Tracking System
EMI	equated monthly installment
EU	European Union
FBCCI	Federation of Bangladesh Chambers of Commerce and Industry
GDP	gross domestic product
GPS	global positioning system
GTAP	Global Trade Analysis Project
IBCCI	India-Bangladesh Chamber of Commerce and Industry
IPEC	Indo-Pacific Economic Corridor
mSTAR	USAID-funded Mobile Solutions Technical Assistance and Research Project

MVA	Motor Vehicles Agreement
NBR	Bangladesh National Board of Revenue
NTFC	National Trade Facilitation Committee
NTB	Non-Tariff Barrier
OBC	onboard courier
RAI	Retailers Association of India
RFID	radio frequency identification
RoW	rest of the world
SANEM	South Asian Network on Economic Modeling
SOW	Scope of Work
UNCTAD	United Nations Conference on Trade and Development
UPU	Universal Postal Union
USAID	United States Agency for International Development
WCO	World Customs Organization
WTO	World Trade Organization





# EXECUTIVE SUMMARY

This report provides a blueprint for a demonstration pilot in which an express courier truck and a postal truck would travel from the Kolkata, India airport across the Benapole-Petrapole border crossing to the Dhaka, Bangladesh airport and vice versa. This proposed Dual Trial Run would be conducted according to the draft protocols of the Bangladesh Bhutan India Nepal Motor Vehicles Agreement (BBIN MVA). The BBIN MVA was signed by all four governments in 2015, however it is still pending ratification in Bhutan. Stakeholders interviewed by the USAID Asia and Middle East Economic Growth Best Practices Program (AMEG), the author of this report, expect the agreement to be ratified and fully implemented eventually.

## BENEFITS OF THE BBIN MVA

“Signing of the BBIN agreement will promote safe, economical efficient and environmentally sound road transport in the sub-region and will further help each country in creating an institutional mechanism for regional integration. BBIN countries will be benefited by mutual cross border movement of passenger and goods for overall economic development of the region. The people of the four countries will benefit through seamless movement of goods and passenger across borders.”

— Office of the Prime Minister of  
India, Press release, 10 June 2015

The BBIN MVA is expected to make a significant impact on trade integration across these four South Asian economies by enabling trucks and other vehicles of one country to operate on the roads of another, thus eliminating the costs and delays associated with transshipments. Once implemented, Bangladeshi trucks will be able to drive across the border into India and vice-versa without transferring goods from one truck to another. However, even if the BBIN MVA were in place today, one of the fastest growing sectors in South Asia — e-commerce — would not benefit because small packages, the primary mode of product delivery for this sector, must cross borders by air. Yet express courier and postal delivery by truck is estimated to be 30 to 40 percent cheaper. For this reason, the prohibition of courier and postal shipments across land-ports, through policy and regulatory constraints, is a non-tariff barrier (NTB) to trade.

The purpose of this trial is to demonstrate the feasibility and impact of an alternative delivery method for small packages which is currently not allowed and could yield significant benefits to e-commerce growth in the region. This trade has been growing rapidly within South Asia, and between the region and the rest of the world. This rapid growth is projected to continue to increase at high double digit rates for at least the next decade. Express courier and parcel post are the key transport and logistics enablers of e-commerce worldwide, including in South Asia.

This report provides (1) an analysis of the expected impact of the Dual Trial Run pilot; (2) a detailed description of the pilot with different options and key areas for a granular, transient task force-based approach; (3) and an overview of the policies, regulations, systems, and capacities that would need to change for full implementation of the pilot. AMEG seeks to organize a task force meeting that brings together stakeholders from India and Bangladesh to seek agreement on the pilot's implementation.

## SECTION I

# BACKGROUND

### I.1 THE NTB ELIMINATION ACTION PLAN

Around the world, and particularly in South Asia, NTBs greatly inhibit the realization of potential bilateral, regional, and global trade. In December 2016, the USAID-funded Asia and the Middle East Economic Growth Best Practices (AMEG) Project sponsored a Bangladesh Non-Tariff Barriers Action Planning Workshop in Dhaka, Bangladesh, to develop an NTB Elimination Action Plan aimed at removing NTBs at an accelerated pace. At that workshop, as well as at the U.S. Department of State-sponsored Indo-Asia Connectivity for Shared Prosperity Conference the following week in Kolkata, India, several overarching themes emerged:

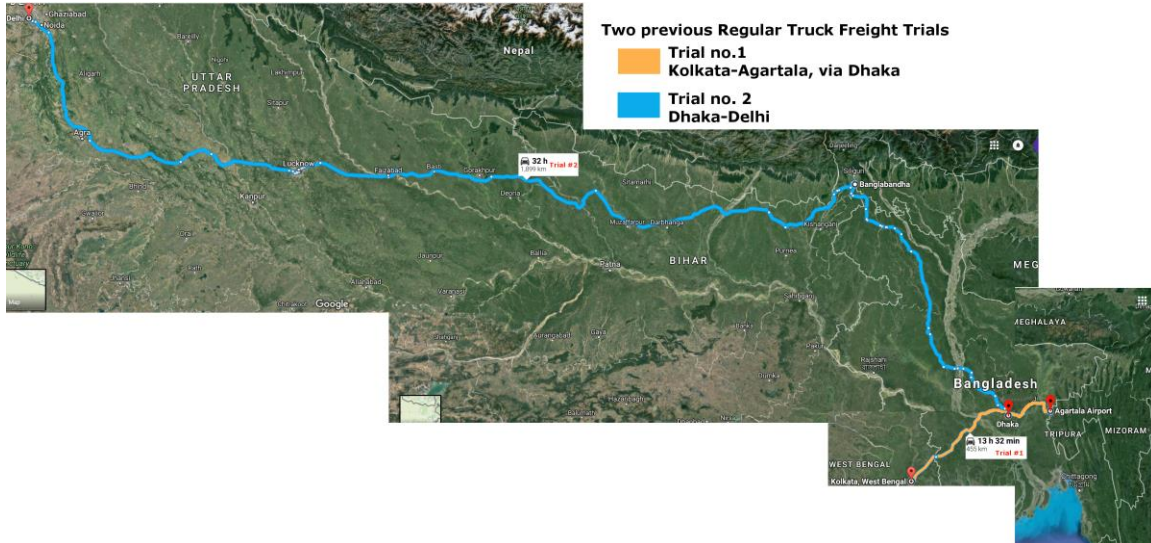
- **Poor implementation.** The participants frequently lamented that in recent years there have been many meetings, studies, and projects from multiple donors on increasing intra-regional trade, but little actual implementation on relaxation of NTBs in South Asia has resulted.
- **Lack of focus.** Participants cited “lack of focus” as a primary cause of this poor implementation record. More specifically this problem had the following attributes:
  - *Too many countries involved.* Frequently, too many countries are involved in trying to eliminate barriers to trade.
    - *Proposed solution:* Take an “N+1” approach to country involvement, i.e. begin with a bilateral approach and incrementally expand successful mechanisms to more South Asian nations.
  - *Overly ambitious scopes of work.* The trade barriers being addressed are frequently groups of individual barriers which are too large to tackle in a timely fashion.
    - *Proposed solution:* Take a more granular, action-oriented approach. Instead of nationwide customs reform, for example, take a pilot test approach to integrating customs operations at a specific border crossing, or in a specific sub-function, such as an automated link between national customs messaging systems.
  - *Excessive focus on creating permanent institutional bodies.* Too often, the focus has been on the creation of overly bureaucratic bodies than on using smaller time-bound, objective-driven mechanisms to achieve results in reasonable timeframes.
    - *Proposed solution:* Time-limited, objective-specific task force as the implementing mechanisms.

Thus, the NTB Elimination Action Plan recommended the use of a task force mechanism as an approach to the elimination of specific NTBs. It also recommended that this approach be tried on a targeted and potentially important NTB that was highlighted at the above-mentioned Kolkata conference. One specific NTB from the conference and the source of this pilot activity is the inability to deliver small parcels by courier or postal truck by road through border crossings such as Benapole-Petrapole, the largest conduit for land-based trade between Bangladesh and India. It was further recommended that this transient task force be organized around the trial or pilot run of an express courier truck between the customs facilities at the Dhaka and Kolkata airports.

Note that while Benapole-Petrapole is the largest conduit for surface trade between the two countries, the border crossing presents significant delays in the transit of goods. Annex B illustrates the clearance performance of this crossing in the final weeks of 2016. Opening an express lane for sealed courier and postal trucks at this border post should improve the delivery of small cargo generally in addition to the small packages resulting from e-commerce trade.

## 1.2 HISTORY OF PRIOR TRIAL RUNS BETWEEN BANGLADESH AND INDIA

There have been at least two previous demonstration trial runs between Bangladesh and India under the draft protocols of the pending BBIN MVA. Both trial runs involved trucks carrying regular freight, not express courier or postal consignments.



The objectives of the two previous regular truck freight trials were to:

- Demonstrate that no customs checks need to happen at the border when the trucks are sealed by customs of the departure country using an electronic seal that emits a signal if broken en route.
- Demonstrate that trucks can carry multiple shipments, including both domestic and international shipments.

- Demonstrate the use of a single common customs bond and a single bank guarantee recognized by both countries.

Trials occurred in November 2015 (Kolkata-Agartala) and January 2016 (Dhaka-Delhi) sponsored by DHL Global Freight and the Bangladesh Freight Forwarders Association, respectively, under the auspices of the then still-under-consideration BBIN MVA.

These trials demonstrated what will be possible under the BBIN MVA. However, the lack of ratification of the BBIN MVA by the Upper House of the Bhutanese Parliament continues to delay implementation of the agreement. In addition, while these trials demonstrated what is possible, they appear to have been showcase events which were not accompanied by any in-depth research on what specific policy and regulatory changes need to accompany ratification or any research on the economic impact of these changes.

The Dual Trial Run proposed in this Blueprint will include research on the economic impact of regularizing express courier and parcel post deliver across the Benapole-Petrapole border crossing and the identification of the policy, legal, regulatory, and systems changes necessary to realize those economic benefits over the long term.

## SECTION 2

# EXPECTED IMPACT OF THE DUAL TRIAL RUN

The Dual Trial Run itself is expected to have minimal direct economic impact, but it can demonstrate what is possible. Given the growth in e-commerce in recent years, which appears to have been in the high double digits, regularization of express courier and parcel post delivery by truck across the Benapole-Petrapole border crossing is expected to have an important economic impact over time. The information necessary to analyze and project the expected impact does not appear to be readily available in the public domain. However, anecdotal evidence suggests that the impact could be significant.

The signs have been around for several years now: e-commerce and Re-commerce (i.e., the use of an e-commerce platform to sell used goods, e.g., through platforms such as eBay) are booming, and destined to dominate global retail in the next decade. South Asian markets are not immune to this trend — quite the contrary.

In 2014, Google and AT Kearney forecasted that the Indian online market was set to explode, with 155 million mobile internet users expected to more than double to 480 million by 2017.<sup>1</sup> In 2016, research and advisory firm Forrester predicted that online retail revenue from the Asia Pacific region will double from \$733 billion in 2015 to \$1.4 trillion in 2020. Indian telecommunications were projected to generate additional revenues of \$8 billion from this expansion. Six-fold smartphone penetration to 385 million was projected as was online transaction growth to 160 million, a tripling of mobile data consumption, and a fivefold increase in content purchases. The top priority areas mentioned were e-store and e-care.<sup>2</sup>

*Cashback Industry News* recently described the India e-commerce scene as fast, furious, and ultra-competitive. India's e-commerce leader, Flipkart, recently announced a cloud services deal with Microsoft, the main competitor of Google and Amazon in the e-commerce services space. This is a clear sign that Flipkart — which began selling cellphones and now has a dedicated fashion unit, Myntra-Jabong, in addition to a payment app, PhonePe — is preparing for a very large and competitive future in e-commerce in India as well as regionally and globally. The Fossil Group, a major online retailer of some of the world's best known brands points to the fact that 56 percent of South Asia's population is under the age of 30, and 80 percent of e-commerce traffic is now generated by the mobile phones that dominate the behavior of this consumer group.

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<sup>1</sup> AT Kearney with Google.

<sup>2</sup> Forrester Research, Inc.

Rumors have been circulating for some time about a potential merger of Paytm, a Delhi-based payment and commerce company, and Snapdeal, with possible Alibaba and SoftBank support. Snapdeal's no-interest product purchase promotion at the end of 2016 proved popular with upscale youth consumers, increasing sales in December by 100%. But Snapdeal, thought to be in financial trouble, needs to regain its market focus and profitability to survive. Alibaba financial and technical support could help.

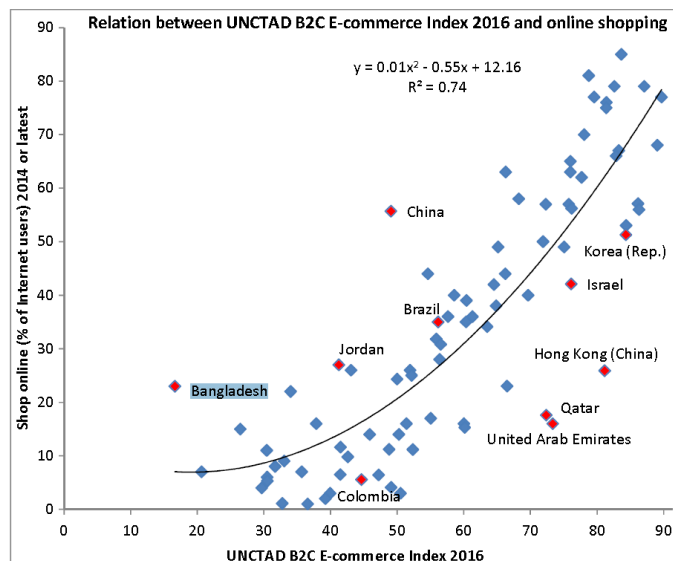
Other Indian entrepreneurs are finding success with the help of online sales. For example, WeaverStory, a narrowly focused e-retailer sells high-end, hand-woven saris at an average cost of \$300 to customers in more than 20 countries. Its Facebook page has more than 130,000 followers and reports making a profit on every sale.

Geekwire.com recently reported that Amazon vowed to spend \$5 billion to build business in India alone. It is rumored to be considering opening brick-and-mortar stores in India, the second such presence after the U.S. Amazon has also reportedly invested \$500 million in India to enter the online packaged food delivery business, and has also sought government approval to develop warehouses and distribution facilities. The company is planning to sell locally produced items as well, to keep the costs down and boost the Indian economy.

The Retailers Association of India (RAI) and Boston Consulting Group (BCG) predict India's e-commerce market will grow from \$6-8 billion today to \$50-55 billion by 2021. Some 240 million people are forecast to purchase products online by 2019.<sup>3</sup>

According to the e-Commerce Association of Bangladesh ([eCAB](#)) website, the sector began in Bangladesh in the late 1990's with gift sites targeting expatriate Bangladeshis. The sites were based abroad as well. In 2009, Bangladesh Bank enabled online payment. eCAB was born in 2014. Today, more than 500 firms are listed as members. While information and research are said to be a priority, eCAB's website contains no data on the industry. It lists the chief constraints to

sector growth as: under-developed delivery channels; sub-optimal access to affordable, nation-wide internet; unreliable on-line transaction systems; fraud; and piracy.



No in-depth studies of e-commerce in Bangladesh appear to be available, and most references in the press concerning the size and growth of e-commerce remain

<sup>3</sup> "E-commerce expected to touch \$50-55 billion by 2021: Study"

anecdotal. Nonetheless, growth is uniformly described as ‘rapid.’ Until recently, international reports on e-commerce have rarely mentioned Bangladesh. However, the [B2C UNCTAD e-Commerce Index 2016 Report](#), which measures a country’s readiness to engage in online commerce, provided a few promising entries on Bangladesh. The country ranks 121<sup>st</sup> out of 137 economies in this and we have no indication whether that was an improvement or not (India dropped 7 places).

UNCTAD B2C e-Commerce Index, 2016 (selected economies only)							
2016 Rank	Economy	Share of individuals using Internet (2014 or latest)	Share of individuals with credit card (15+, 2014 or latest)	Secure Internet servers per 1 million people (normalized, 2014)	UPU postal reliability score (2013-14)	UNCTAD B2C e-commerce Index value 2015	2014 Rank
1	Luxembourg	95	69	98	97	89.7	1
90	India	18	4	46	68	34.0	83
121	Bangladesh	10	0	30	27	16.7	N/A
137	Niger	2	1	16	7	6.5	125

The eCAB’s emphasis on the need for more reliable delivery channels and the postal reliability rating in the table above suggest that additional, and cheaper channels of delivery could have a significant effect on e-commerce trade across borders. To support both of these objectives, this proposed pilot seeks to explore a concrete reform that would allow two-way ground express courier and postal delivery by truck between Bangladesh and India.

The UNCTAD e-Commerce Index cites Bangladesh and India as doing better than expected, an understatement for Bangladesh since it topped the list in the difference between predicted and actual share of users buying online. Bangladesh’s percentage of internet users buying online, 23 percent, was triple the predicted value, and is startling given the country’s infrastructural and other challenges. Bangladesh’s predicted and actual values are very similar to India’s, suggesting that the latter’s e-commerce growth trajectory could closely track India’s.

#### Top and bottom 10 economies by difference between predicted and actual share of Internet users buying online, 2016

Top 10					Bottom 10				
Online buyers as a share of Internet users (%)					Online buyers as a share of Internet users (%)				
Economy	Predicted value	Actual value	Absolute difference	Relative difference (%)	Economy	Predicted value	Actual value	Absolute difference	Difference
1 Bangladesh	7.0	23.0	16.0	228%	Armenia	11.3	1.0	-10.3	-91%
2 China	19.8	55.7	35.9	182%	Venezuela	9.6	1.1	-8.5	-89%
3 India	10.1	22.0	11.9	118%	Azerbaijan	21.0	3.0	-18.0	-86%
4 Tanzania	7.7	15.0	7.3	95%	Georgia	12.7	2.0	-10.7	-84%
5 Jordan	13.9	27.0	13.1	94%	Mexico	19.8	4.1	-15.7	-79%
6 Ukraine	24.9	44.0	19.1	77%	Egypt	13.1	3.0	-10.1	-77%
7 Viet Nam	15.1	26.0	10.9	72%	U.A. Emirates	49.0	16.0	-33.0	-67%
8 Malta	38.7	63.0	24.3	63%	Colombia	16.2	5.6	-10.7	-66%
9 Denmark	57.8	81.0	23.2	40%	Thailand	18.2	6.4	-11.8	-65%
10 Slovak Rep	41.4	58.0	16.6	40%	Qatar	47.5	17.6	-29.9	-63%

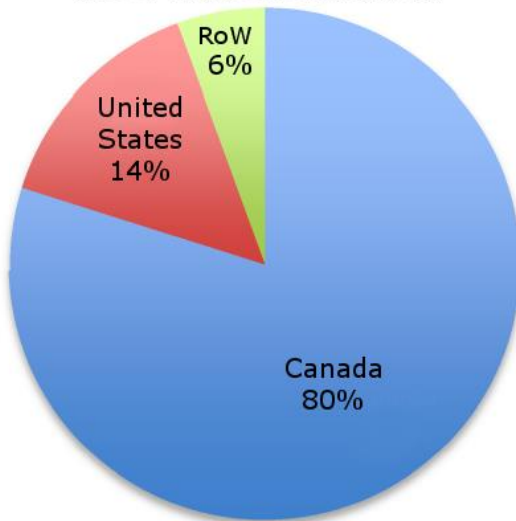
Source: UNCTAD B2C e-Commerce Index 2016

Pew estimated that 2.55 million Bangladeshis bought a product online in 2014.

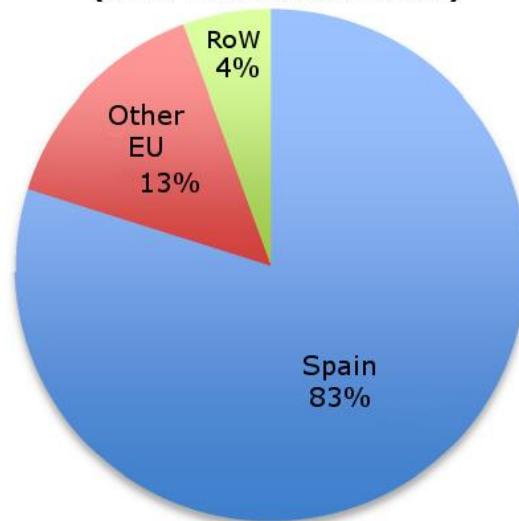


In 2016, UNCTAD also studied cross-border e-commerce trade and found a scarcity of data. Generally, e-commerce volumes are not tracked per se, but postal activity is a useful proxy. Despite a well-known drop in personal mail (i.e., letters) since 2010, postal activity has been rising steadily, moving from just under 1 million kg per day in October 2010 to just over 2.5 million kg daily in October 2015. This represents more than 25 percent in annual compound growth. The number of tracked postal shipments grew nearly 20 percent per year between 2013 and 2015. According to UNCTAD, this growth “can be accounted for by the parallel growth of e-commerce.”

**Canadian 2013 e-Commerce Sales  
(% of value distribution)**



**Spanish 2014/15 e-Commerce Sales  
(% of value distribution)**



Source: UNCTAD B2C e-Commerce Index 2016

Other global indicators of potential include the fact that the percentage of European Union (EU) country online sales to the rest of the world grew slightly faster than internal online sales between 2011 and 2013, and the value of cross-border B2C trade between Japan, China and the United States exceeded \$21 billion in 2014.

Bangladesh’s e-commerce profile vis-à-vis India’s huge retail market and the rest of the world (RoW) might be similar to that of Canada or Spain with respect to their huge neighboring markets and the RoW. If so, and if the ratio of e-commerce exports to GDP matched that of all exports, then the above RAI/BCG e-commerce projections for India, i.e. \$50-55 billion by 2021, could equate to a 2021 potential of \$2.7 million in Bangladeshi e-commerce exports to India and \$25.6 million in Indian online exports to Bangladesh, or 27,000 and 256,000 express courier and mail packages of \$100 value, respectively.

These projections are very rough, and the trial run research should be structured to produce better estimates. AMEG has commissioned dedicated research to project the overall economic impact of regularizing the express and parcel post ground delivery that the Dual Trial Run will demonstrate. The findings of this research will be incorporated into the task force workshop report.



### SECTION 3

# ANALYSIS OF THE POTENTIAL IMPACT OF REGULAR EXPRESS COURIER SERVICE BY TRUCK

That express courier delivery by truck across the Benapole-Petrapole border is not allowed constitutes a clear NTB to trade between India and Bangladesh. As discussed in Section 2, the Dual Trial Run itself is expected to have minimal direct economic impact, however, the high double-digit growth of e-commerce in South Asia, primarily India, in recent years, suggests that regularization of express courier service by truck across the Benapole-Petrapole frontier will bring economic benefits to both Bangladesh and India.

It should be reiterated that there is no legitimate economic or security rationale for the existence of this trade barrier. Modern trading nations in Europe, North America, and elsewhere in the world expedite secure trade across their international borders using daily courier delivery by truck. In fact, security is higher because authorized, professional economic operators such as international courier companies assume the full risk associated with handling these small shipments, and they install the systems to ensure such security because their reputations are at risk. As a result, transparency is greater for all aspects of such shipments than for trade in general. Overall economic activity has increased by enabling such services, including increases in government revenues. The continued existence of this trade barrier at Benapole-Petrapole benefits no one except the special interests who earn a living from border congestion.

At least on the Indian side of the border, the reason for allowing courier only by air was simple — when the current laws and regulations were written a decade or more ago, e-commerce was insignificant. Today, its unexpected escalation in growth is one of the primary drivers behind today's staggering congestion at the Dhaka airport. Its rapid growth is expected to continue unimpeded into the foreseeable future, and offer unprecedented opportunities of further development of trade, particularly SME sector trade, in both directions between Bangladesh and India.

For these reasons, and to provide a more solid rationale for the elimination of this valueless barrier to trade, the USAID-funded AMEG project commissioned the South Asian Network for Economic Modeling (SANEM), a consulting organization in Dhaka, Bangladesh, to analyze the potential economic impact of such elimination. This section describes that analysis and the potential economic benefits of regularization of express courier delivery by truck in both directions across the Benapole-Petrapole border crossing.

## PURPOSE OF THE SANEM STUDY

The purpose of SANEM study was to apply available economic analytical tools to estimate the economic impact to South Asia's two largest trading partners, Bangladesh and India, of regularizing express courier delivery by truck in both directions across the Benapole-Petrapole land border crossing.

## SANEM STUDY METHODOLOGY

Briefly, the SANEM study employed the computable general equilibrium (CGE) modeling framework of the Global Trade Analysis Project (GTAP), which is considered one of the best ways to analyze ex ante the economic consequences and trade implications of multilateral and bilateral trade agreements. SANEM's methodology included the following components.

- *Desk research.* A review was conducted of the BBIN-MVA and relevant policies, laws, regulations and other studies and assessment of the reports of express courier service providers and other secondary sources of information;
- *Data collection.* Trade and other data was obtained from stakeholders representing key institutions including Dhaka Customs House, Bangladesh Land Port Authority, Amazon.com, the Indian Ministry of Transport, and India Customs (a complete list can be found in the research report);
- *Site visits.* Visits to important sites and locations in Bangladesh and India including the customs operations at Benapole, Petrapole, and Dhaka airport; the operations of various courier service providers; the offices of relevant Bangladeshi and Indian government officials and private sector experts;
- *Stakeholder interviews.* Key Bangladeshi and Indian stakeholders (Amazon India, eBay India, DHL India, DHL Bangladesh, FedEx Bangladesh, Sundarban Courier Services, and others) were interviewed using a questionnaire designed for the study; and
- *Economic model application.* The analysis of potential economic impacts employed the Partial and General Equilibrium Models using GTAP<sup>4</sup> simulation. The GTAP model, a comparative static model based on neoclassical theories, is a global computed general equilibrium (CGE) modeling framework of the Global Trade Analysis Project, and is a useful tool for the ex-ante analysis of the economic and trade consequences of multilateral or bilateral trade agreements. In the GTAP database, there are 57 sectors and 140 countries. From the Input-Output table of Bangladesh of the study included estimates from the communication-intensive sectors, mostly the export-oriented sectors as well as services sectors.

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<sup>4</sup> For full documentation of the GTAP model and the database, see Hertel, T.W., ed. (1997), "Global Trade Analysis: Modelling and Applications." Cambridge University Press.

## SANEM STUDY FINDINGS

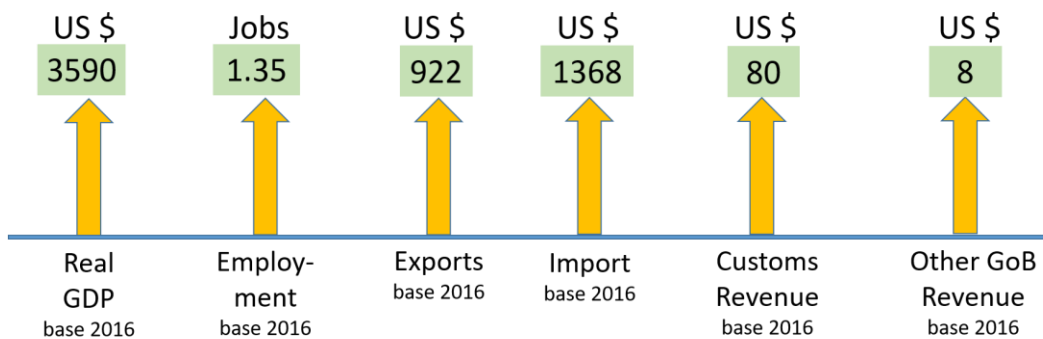
As depicted in the Graph 1 and Graph 2, the projected benefits of regularizing express courier deliveries across the Benapole-Petrapole frontier are significant for both trading partners. In summary, the SANEM study the following additional economic benefits were projected to accrue to Bangladesh and India over a 5-year period as a result of such regularization:

- Estimated Increase in Regional GDP: \$6,055 million
- Estimated Increase in Regional Employment: 1.69 million jobs
- Estimated Increase in Net Bilateral<sup>5</sup> Trade: \$ 2,263 million
- Estimated Increase in Regional Government Revenue: \$195 million

**Graph 1**

### Estimated Net Economic Impact on Bangladesh

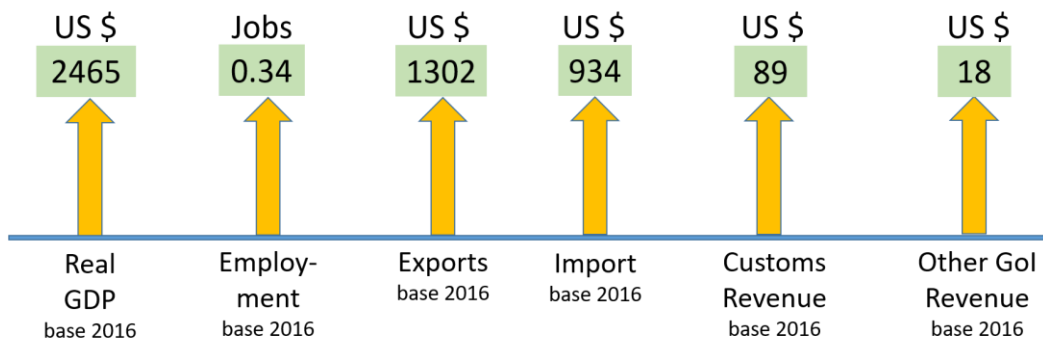
(millions, rounded)



**Graph 2**

### Estimated Net Economic Impact on India

(millions, rounded)



<sup>5</sup> Total imports plus total exports divided by two

## SECTION 4

# DETAILED DUAL TRIAL RUN DESCRIPTION

### 3.1 DESIGN OF DUAL TRIAL RUN

#### **Consignment descriptions:**

*Inbound Consignments (India to Bangladesh).* The inbound express courier truck and the accompanying inbound postal truck will respectively carry express courier consignments and postal consignments containing items of three types: (a) correspondence and documents, (b) low value non-dutiable items, and (c) low value dutiable items. These items will be of Indian origin or third-country origin, and will be consigned to either Bangladeshi consignees or for onward shipment to consignees in third countries.

*Outbound Consignments (Bangladesh to India).* The outbound express courier truck and the accompanying outbound postal truck will respectively carry express courier consignments and postal consignments containing items of three types: (a) correspondence and documents, (b) low value non-dutiable items, and (c) low value dutiable items. These items will be of Bangladeshi origin or third-country origin, and will be consigned to either Indian consignees or for onward shipment to consignees in third countries.

#### **Shipment security:**

*Radio frequency identification (RFID) seals:* Both the inbound and the outbound trucks will be secured by RFID seals to the access door of each truck on each respective run;

*Global positioning system (GPS) tracking:* We have requested that both the inbound and outbound trucks be tracked by the India Electronic Cargo Tracking System (ECTS), and that relevant Bangladesh authorities be provided temporary access to ECTS to enable their tracking of the shipments.

**Truck operator, bonds, guarantees and insurance:** A designated international courier operator will provide the truck and driver. DHL Express has shown interest in being this designated operator. Finalization of the operator of choice will take place after discussions with stakeholders at the task force meeting. The designated international courier operator will obtain any bonds, bank guarantees, and insurance as may be required to cover the consignments, the truck, the driver, and any third-party risks.

**Anticipated Timing:** The dual trial run will be conducted over a mutually agreed 3-day period in June or July 2017.

#### **Anticipated Routes:**

#### Inbound Consignment Route:

- In India: From the India Customs facility at Kolkata airport along India Highway 112 to the India Customs facility at the Petrapole border crossing; and
- In Bangladesh: From the Bangladesh Customs facility at Benapole along Bangladesh Highways N706, N7 and N5 to the Bangladesh Customs facility at Dhaka airport.

#### Outbound Consignment Route:

- In Bangladesh: From the Bangladesh Customs facility at Dhaka airport along Bangladesh Highways N5, N7 and N706 to the Bangladesh Customs facility at Benapole; and
- In India: From the India Customs facility at the Petrapole border crossing along India Highway 112 to the India Customs facility at Kolkata airport.

### Process Summary

*Inbound Consignment Process.* Upon arrival of the two inbound consignment trucks from the India Customs facility at Petrapole, Bangladesh Customs at the Benapole facility would expedite the two trucks through as if an express traffic lane were fully operational at Benapole. In this process, Bangladesh Customs would only verify that the RFID seals applied at the Kolkata airport by India Customs have not been broken and will then clear the two sealed trucks for domestic transit to the Bangladesh Customs facility at Dhaka airport — using the Transit Module in ASYCUDA World, which will need to be activated on the Bangladesh side.

The two sealed trucks would then proceed to the Bangladesh Customs facility at Dhaka airport along the Inbound Consignment Route.

Upon arrival at the Bangladesh Customs facility at Dhaka airport, the RFID seals of both trucks would be unlocked by Bangladesh Customs and the consignments would be processed per normal express courier and normal postal procedures as follows:

- Consignments to Bangladesh consignees would be processed as per normal Bangladesh Customs import processes for onward domestic courier or postal delivery to Bangladeshi consignees;
- Consignments destined for consignees in third countries would be cleared for onward international express courier or postal air shipment.

*Outbound Consignment Process.* Once the outbound consignments have been loaded into the two trucks at Dhaka airport, each truck's cargo section would be locked with an RFID seal applied by Bangladesh Customs, and then, using the Domestic Transit Module in ASYCUDA, the two trucks would be cleared for domestic transit to the Bangladesh Customs facility at Benapole. The two sealed trucks will then proceed via the above-specified outbound consignment route to the Bangladesh Customs facility at the Benapole border crossing.

Upon arrival at the Bangladesh Customs facility at the Benapole, the two sealed trucks would be expedited through the border crossing as if an express traffic lane existed at Benapole. In this process, Bangladesh Customs will only verify that the RFID seals on the two trucks have not be broken.

The two sealed trucks would then proceed across the border to the India Customs facility at Petrapole, and consignments will be processed as previously described.

### **3.2 OTHER TRIAL RUN OPTIONS**

The Dual Trial Run was designed to be as comprehensive as possible, however it could be simplified in several ways as described below. Each reduces the complexity of the trial, but in doing so detracts from its demonstration effect:

*Eliminate the postal option.* Parcel post is one of the two primary enablers of e-commerce globally and in South Asia. Parcel post offers a cheaper delivery option than express courier, and it has become an increasingly important source of revenue for post offices which have lost revenue as email and social network messaging have replaced traditional mail. Demonstrating the potential economic impact of the postal option is therefore important.

*Eliminate the third-country consignment option.* The pilot could limit its focus to bilateral trade between Bangladesh and India. However, it became evident in our discussions that a significant portion of sales from South Asian e-commerce platforms is going to third-country destinations in the Middle East, Europe, and North America. The two airports that are part of the Dual Trial Run, Dhaka Airport and Kolkata Airport, apparently each have certain transport and logistical advantages over the other.

For example, Dhaka Airport apparently has more frequent service to the Indian diaspora in the Persian Gulf markets than does Kolkata, which is relevant to exporters in West Bengal and adjacent areas. Conversely, Kolkata Airport has an advantage in serving certain European markets (e.g. Paris) for Bangladeshi exporters shipping there. Again, measuring the potential economic impact of these comparative advantages is therefore important.

*Eliminate the bi-directional nature of the trial.* India is by far the dominant factor in e-commerce in South Asia. However, Bangladesh's e-commerce platform community appears to also be growing at double-digit rates. Demonstrating the potential economic impact of e-commerce trade enabled by regularization of express courier/postal delivery by road from Bangladesh to India is therefore important.

### **3.3 TASK FORCE APPROACH**

Two important themes which emerged from both the Bangladesh Non-Tariff Barriers Action Planning Workshop in Dhaka on 12/7/16 and in the Indo-Asia Connectivity for Shared Prosperity Conference in Kolkata on 12/14/16 were poor implementation and a

lack of focus in the execution of steps to eliminate NTBs. The lack of focus was ascribed to a general preference for grand, multi-lateral approaches, over-ambitious scopes of work, and the creation of large, overly bureaucratic institutions. The NTB Action Plan, which emerged from the workshop, recommended greater use of bi-lateral approaches with targeted scopes of work and the use of a task force approach to their implementation.

This Blueprint employs the recommended task force approach and follows recommended best practice for such groups:

- It has a limited, specific scope of work with well-defined objective and granular goals.
- It is of limited size and duration.
- It is composed of individuals with relevant technical and leadership skills; organizational and advocacy clout; the potential to foresee roadblocks, bottlenecks, and challenges; and the capacity to forge implementable solutions.

These attributes are discussed in greater detail in the following paragraphs.

## PROPOSED TASK FORCE COMPOSITION

The envisioned task force would be composed of a versatile mix of technical expertise, leadership, foresight, and solution-oriented thinking from the following public and private sector organizations. It will bring multiple perspectives to the task, democratize buy-in, enhance communication, and ease the inevitable challenges of implementation.

### EXHIBIT I. PROPOSED TASK FORCE MEMBERS

BANGLADESH	INDIA
PUBLIC SECTOR PARTICIPANTS	
Bangladesh National Board of Revenue	Central Board of Excise and Customs, Ministry of Finance
Bangladesh Post	India Post
Ministry of Home Affairs	Ministry of Road Transport and Highways
Ministry of Road Transport and Bridges	State Government of West Bengal
PRIVATE SECTOR PARTICIPANTS	
Bangladesh Freight Forwarders Association	Amazon
Dhaka Customs Agents Association	Deutsche Post DHL Group
India-Bangladesh Chamber of Commerce & Industry (IBCCI)	eBay India Pvt. Ltd.
International Air Express Association of Bangladesh	Federal Express Corporation
eCab	Flipkart

## PROPOSED DURATION OF THE TASK FORCE

The proposed timeframe of the task force is from May 1 to August 31, 2017. However, the actual duration will depend on the timing of approvals by the relevant authorities in each country and on the agreed date for the implementation of the Dual Trial Run. Once approvals are obtained and relevant government decision makers have been appointed to the task force, there will be a two-day meeting to agree on the design, operational details, and implementation date of the proposed Dual Trial Run. The trial runs would then be carried out on the agreed date, supported by press releases covering their implementation and a workshop report on lessons learned and projected economic impact of the trial runs.

## TASK FORCE GOAL

The proposed task force goal is to identify and agree to temporarily enable any regulations and procedures required to enable, and conversely, identify and agree to temporarily suspend any regulations and procedures preventing, successful implementation of the trial.

## TASK FORCE OBJECTIVES

We envision a task force with two primary objectives:

- To demonstrate the workability and economic impact of removal of a tangible NTB – the prohibition of ground-based express courier and postal services between Bangladesh and India at the Benapole-Petrapole border crossing.
- To demonstrate the workability of the task force approach as foundation for a Bengal Borderless Alliance for the Reduction of NTBs.

## KEY AREAS FOR TASK FORCE DISCUSSION

- **Operational Area 1: Customs**
  - RFID sealing
  - GPS tracking
  - Domestic transit
  - Express treatment at Benapole-Petrapole
  - Other areas/issues related to the trial
  - Policy, legal, regulatory and system changes needed for regularization of express courier and postal delivery across land borders
- **Operational Area 2: Transport**
  - Mutual recognition of drivers' licenses of both countries
  - Mutual recognition of truck registrations/licenses of both countries
  - Express treatment at Benapole-Petrapole
  - Other areas/issues related to the trial



- Policy, legal, regulatory and system changes needed for regularization of express courier and postal delivery across land borders
- **Operational Area 3: Home Affairs**
  - Issuance of visas to drivers and other on-board personnel
  - Other areas/issues related to the trial
  - Policy, legal, regulatory and system changes needed for regularization of express courier and postal delivery across land borders
- **Operational Contingencies**
  - Contingency planning issues: strikes, sick driver(s), truck breakdowns, broken RFID seals, truck diversions from approved routes, etc.
- **Innovative Private Sector Approaches to Increasing Consignment Volumes**
  - Courier company and e-commerce platform brainstorm on ways to increase consignment volumes with particular focus on increasing e-commerce consignment volumes

These discussion topics are included in the proposed task force workshop agenda in Annex C.

## **PROPOSED TASK FORCE KEY PERFORMANCE INDICATORS (KPI)**

*KPI #1- Unimpeded transit:* With the exception of a routine check of the RFID seal of each trial truck, the express courier and postal trucks shall be granted unimpeded, express transit through both of the national customs facilities at the Benapole-Petrapole border crossing to their destination customs processing center and successful processing of their contents for onward shipment to their intended recipients.

*KPI #2- Relevant policies, laws, regulations, and systems:* All relevant policy, legal, regulatory, and system changes necessary to enable regularization of express courier and postal delivery across land borders have been identified.

*KPI #3- Sufficient data collection:* Relevant data points are collected in sufficient volumes to project the economic impact of regularizing express courier and postal delivery across land borders.

## **3.4 TRIAL RUN VERSUS REGULARIZATION**

Given the complexity of the Dual Trial Run, the Feb-Apr 2017 AMEG trip to Bangladesh and India only scratched the surface of the requirements for long-term regularization of express courier and postal delivery across India-Bangladesh land borders. In both countries, stakeholders indicated that the BBIN MVA and its draft protocols identify and address the majority of the changes required. The MVA focuses primarily on transportation issues, but it also deals with issues such as passports, visas, waybills, commercial invoices, packing lists, border checkpoints, land ports and dry ports, land

customs stations, and endorsement of entry and exit particulars. It also states that a customs sub-group will be set up to formulate the required customs procedures. Many of the subsidiary issues have likely been addressed in the BBIN Draft Protocols, but these protocols have not yet been made public. Discussions with both India Customs and DHL India left AMEG with the impression that further changes required in India to enable regularization of express courier and postal delivery across land borders are not expected to be neither significant nor time consuming.

In Bangladesh, many of the customs issues related to regularization in Bangladesh are more general, such as the implementation of WCO-sanctioned domestic transit modules and procedures which are among the many yet-to-be-implemented modernization recommendations made by the USAID-funded BTFA project. The current policy in Bangladesh governing express courier and postal shipments states that such shipments can only be handled by specific airports. This policy will obviously need to be amended for long-term regularization at the land ports. Also, current problems related to the backlog of unreleased trucks at the Benapole-Petrapole crossing are largely due to a lack of investment in infrastructure, systems, and trained personnel in Bangladesh, even though the Bangladesh private sector seems ready to make such investments. Surmounting these challenges to regularization is beyond the scope of the Dual Trial Run task force, however they may be the subject of future task forces as suggested in the NTB Elimination Action Plan.

The task force outlined in the previous section is designed to identify and agree on the operational details of the Dual Trial Run — a demonstration of what is possible if express courier and postal delivery across India-Bangladesh land borders were to be regularized. Discussions during the task force workshop and the subsequent Dual Trial Run will provide greater clarity of the policies, laws, regulations, systems, and capacity that must be changed or improved for long-term regularization. If political will exists for regularization after the Dual Trial Run, AMEG recommends the creation of subsequent task forces to design, implement, and oversee necessary changes in Bangladesh and India.

# ANNEX A. UPDATE: RESULTS OF TASK FORCE WORKSHOP

The concept of conducting an Express Courier Dual Trial Run in both directions across the Benapole-Petrapole border crossing between Bangladesh and India arose from the U.S. Department of State-sponsored Indo-Asia Connectivity for Shared Prosperity Conference in December 2016. Then, and today, it is not possible to make express courier deliveries by truck across this border, the largest trade conduit between the two countries, which have the largest bilateral trading relationship in South Asia. This inability to make express courier deliveries by truck across this border is a systemic trade barrier, and its elimination will not only increase trade across that border but will also contribute to a reduction in very high courier consignment congestion levels at the Dhaka Airport, which has also negatively affected trade in recent years<sup>6</sup>.

Following several months of interaction with public and private sector officials in both countries, in collaboration with the Confederation of Indian Industries in Delhi and the Business Initiative Leading Development in Dhaka, AMEG organized the Express Courier Dual Trial Run Task Force Meeting in Kolkata on August 22, 2017. This meeting was attended by 30 individuals from the public and private sectors of both countries, including senior officials from the customs and road transport authorities, and the ministries of home affairs/foreign affairs of both countries, Bangladesh's Ministry of Commerce, the Benapole Land Port Authority, and India-Bangladesh Chamber of Commerce and Industry. Absent due to illness was Dr. Mashiur Rahman, Economic Affairs Advisor to the Prime Minister of Bangladesh whose support for, and anticipated attendance, evidenced 'political will' for the trial run at high levels in Bangladesh.

*Task Force Meeting Proceedings.* The meeting included sessions dedicated to the following:

- Background on and description of the Express Courier Dual Trial Run
- The Potential Economic Impact of Regularization of the Express Courier Service by Truck
- Details on Implementation of the Express Courier Dual Trial Run

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<sup>6</sup> During AMEG research on the express courier issue, there were multiple references to Bangladesh garment exporters losing international orders because fabric samples couriered to them by foreign buyers could not be cleared quickly enough for those export orders to be filled. Loss figures as high as \$1 billion were cited.

- Domestic Transit Module Activation (Bangladesh) in support of the Dual Trial Run
- Panel discussion of Customs Issues Related to the Proposed Dual Trial Run
- Panel discussion of Non-Customs Issues Related to the Proposed Dual Trial Run
- Panel discussion of Changes Required to Enable Regularization of Express Courier Truck Delivery

*Task force Meeting Outcomes.* While resistance to enabling an express courier trial run was evident from the Bangladesh Freight Forwarders Association, in general, the idea of conducting a trial run and using it to develop a set of rules and regulations as a basis for eventual regularization appeared to have widespread acceptance. The Commissioner of India Central Customs (Kolkata) and the Member (Customs Policy) of Bangladesh's National Board of Revenue both expressed support and requested formal proposals on the subject.

*Post-Task force Meeting Support by AMEG.* After the task force workshop, AMEG supported efforts by DHL, CII, and BUILD to complete formal proposals to the respective governments for conducting the express courier dual trial run. Those proposals were submitted to the governments of India and Bangladesh in September 2017, shortly before the end of AMEG.

*Post AMEG Support.* The AMEG project officially ends on September 30, 2017. If formal proposals for conducting the express courier dual trial run are not completed and submitted to the respective governments by that date, it is recommended that continued assistance be provided by the U.S. Department of State in the completing and submitting such proposals to the respective governments. In this, and other trade related endeavors as may be undertaken, establishing the 'political will' for change within the government is critical to timely implementation, and therefore, it would be beneficial to have the offices of relevant U.S. ambassadors involved from the outset.

# ANNEX B. BENAPOLE- PETRAPOLE FREIGHT DATA

## EXHIBIT I: RELEASE DETAILS: BENAPOLE-PETRAPOLE BORDER CROSSING - REGULAR FREIGHT, 13 DEC 2016

Date	Total General + Chassis	Chassis with Perishable Consignments	RELEASE DETAILS (Release time from Bongaon Parking 2300 hrs)	Total Chassis Release	Balance (unreleased Chassis)
13-Dec	289	0	06/12 - 33 + 07/12 - 323	356	1826
14-Dec	279	30	07/12 - 42 + 08/12 - 221	263	1842
15-Dec	263	40	0	0	2105
16-Dec	391	0	08/12 - 187 + 09/12 - 207	394	2102
17-Dec	375	23	09/12 - 170 + 10/12 -167	337	2140
18-Dec	238	8	10/12 - 27 +11/12 232 +12/12 - 44	303	2075
19-Dec	342	20	12/12 -240 - 12/12 - 65	305	2112
20-Dec	464	19	13/12 - 224 +14/12 -100	324	2252
21-Dec	473	14	14/12 - 179 + 15/12 - 95	274	2451
22-Dec	592	25	0	0	3043
23-Dec	427	0	15/12 -167	167	3303
24-Dec	523	24	15/12 - 1+ 16/12 -299	300	3526
25-Dec	244	0	0	0	3770
26-Dec	415	35	16/12 - 92 + 17/12 -315	407	3778
27-Dec	534	25	17/12 - 60 +18/12 -163	223	4089
28-Dec	466	10	18/12 - 75 +19/12 -342 + 20/12 - 87	504	4051
29-Dec	513	21	0	0	4564
30-Dec	386	0	20/12 - 377 + 21/12 - 191	568	4382
					4382
					4382
					4382
Total			At Land Port - CWC		1074
			TOTAL PENDING FOR EXPORT		5456
It is taking almost 14 days for the trucks to cross the border after reaching Bongaon, where the distance from Bongaon to Benapole is just 10 kms.					

# ANNEX C. TASK FORCE WORKSHOP AGENDA

## Express Courier Dual Trial Run Task Force Meeting

22 August 2017

The Park Hotel, Kolkata, India

AGENDA		
Time	Topic	Speakers
8:30 – 9:00	Registration	
9:00 – 9:30	Welcoming Remarks	Peter Gauthier, Private Enterprise Officer, U.S. Agency for International Development  Biswajit Dutta, Special Secretary, Department of Transport, Government of West Bengal
9:30 – 9:40	Starting the Day and Vote of Thanks	Asif Ibrahim, Advisor, Business Initiative Leading Development (BUILD)
9:40 – 9:45	Group Photo	
Session 1: Background, Potential Impact, and Policy & Regulatory Change		
9:45 – 10:05	Description of the Proposed Express Courier Dual Trial Run	Stephen Wade, Technical Advisor, USAID Asia & Middle East Economic Growth Best Practices Program (AMEG)
10:05 – 10:25	Potential Economic Impact of Express Courier by Truck across Bangladesh-India Land Ports	Dr. Selim Raihan, Executive Director, South Asian Network on Economic Modeling and Professor of Economics, Dhaka University
10:25 – 10:45	Implementation and Origin of the Proposed Dual Trial Run	Dr. Pritam Banerjee, Senior Director - South Asia, Deutsche Post DHL Group
10:45 – 11:00	COFFEE BREAK	
Session 2: Working Group Discussion and Consensus: Customs Issues		

AGENDA		
Time	Topic	Speakers
11:00 – 11:30	<b>Domestic Transit Module Activation</b>	Andrew Allan, Deputy Chief of Party & Team Leader Trade Facilitation, USAID Bangladesh Trade Facilitation Activity
11:30 – 12:30	<b>Panel Discussion 1. Customs Issues Related to Proposed Dual Trial Run</b>	<b>Panel Facilitator</b> <ul style="list-style-type: none"><li>Stephen Wade, USAID AMEG Project</li></ul> <b>Panelists</b> <ul style="list-style-type: none"><li>Bijay Kumar, Chief Commissioner, Kolkata Customs</li><li>Md Lutfor Rahman, Member, Bangladesh National Board of Revenue</li><li>Md Abdur Rauf, Director, Bangladesh Land Port Authority</li><li>Dr. Pritam Banerjee, Senior Director, DHL</li></ul>
12:30 – 13:30	<b>LUNCH</b>	
<b>Session 3: Working Group Discussion and Consensus: Non-Customs Issues</b>		
13:30 – 14:30	<b>Panel Discussion 2. Non-Customs Issues Related to Proposed Dual Trial Run</b>	<b>Panel Facilitator</b> <ul style="list-style-type: none"><li>Stephen Wade, USAID AMEG Project</li></ul> <b>Panelists</b> <ul style="list-style-type: none"><li>Rakesh Kumar, Section Officer, India Ministry of Road Transport &amp; Highways</li><li>Md Ehsan E Elahi, Joint Secretary, Bangladesh Ministry of Road Transport &amp; Highway</li><li>Akhteruzzaman Md Mostafa Kamal, Joint Secretary, Bangladesh Home Affairs</li></ul>
<b>Session 4: Required Policy &amp; Regulatory Change for Regularization</b>		

AGENDA		
Time	Topic	Speakers
14:30 – 15:30	<b>Panel Discussion 3. Looking Forward: Changes to Enable Regularization and Other Opportunities</b>	<b>Panel Facilitator</b> <ul style="list-style-type: none"><li>Dr. Selim Raihan, South Asian Network on Economic Modeling</li></ul> <b>Panelists</b> <ul style="list-style-type: none"><li>Rakesh Kumar, Section Officer, India Ministry of Road Transport &amp; Highways</li><li>Dr. Pritam Banerjee, DHL</li><li>Tabrez Ahmad, Director Corporate Affairs, eBay India Pvt. Ltd.</li></ul>
15:30 – 15:45	<b>COFFEE BREAK</b>	
<b>Session 5: Required Policy &amp; Regulatory Change for Regularization</b>		
15:45 – 16:45	<b>Final Discussions</b>  Group 1: Dual Trial Run Approval and Implementation  Group 2: Private-Sector Reflections on Proposed Pilot and Future Opportunities	<b>Location</b>  Group 1: Board Room I Group 2: Galaxy
16:45 – 17:00	<b>Closing Remarks</b>	Ferdaus Ara Begum, CEO, BUILD  Pranav Kumar, Head of International Trade Policy, Confederation of Indian Industry  Isaiah Oliver, Deputy Chief of Party, USAID AMEG Project



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**U.S. Agency for International Development**

1300 Pennsylvania Avenue, NW

Washington, D.C. 20523

Tel.: (202) 712-0000

Fax: (202) 216-3524

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